

## Message Text

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PAGE 01 ROME 17619 201809Z

62

ACTION EUR-12

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NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 8752

INFO AMCONSUL NAPLES

AMCONSUL PALERMO

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: MEETING BETWEEN AMBASSADOR VOLPE AND BUDGET MINISTER

ANDREOTTI AT BUDGET MINISTRY, ROME, DECEMBER 19, 1974,

9:00 A.M.

1. THE AMBASSADOR MET WITH MINISTER ANDREOTTI ON A COURTESY VISIT BUT ALSO TO ASK HIS VIEWS REGARDING THE ECONOMIC SITUATION IN ITALY. IN HIS NEW AND IMPORTANT POSITION ANDREOTTI PROBABLY WILL REQUIRE A FAMILIARIZATION PERIOD, AS WOULD NO DOUBT ALSO BE THE CASE FOR MINISTER FORLANI AT THE DEFENSE MINISTRY. ANDREOTTI INDICATED THAT AS MINISTER OF DEFENSE HE HAD FOUND THE DEFENSE MINISTRY THE MOST DIFFICULT OF THE MINISTRIES HE HAD HEADED, BUT FELT THAT FORLANI WOULD DO WELL. THE AMBASSADOR NOTED THAT FORLANI'S TASK WOULD PROBABLY BE RENDERED EASIER, THANKS TO THE HIGHLY COMPETENT STAFF WHICH ANDREOTTI HAD BROUGHT TO THE DEFENSE MINISTRY WHEN HE WAS THERE. ANDREOTTI WOULD CERTAINLY HAVE AN IMPORTANT CONTRIBUTION TO MAKE AS BUDGET MINISTER AND HIS WEALTH OF BACKGROUND AND EXPERIENCE WOULD CONSTITUTE A POSITIVE CONTRIBUTION TO THE MORO GOVERNMENT.

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PAGE 02 ROME 17619 201809Z

2. ANDREOTTI MADE THE FOLLOWING POINTS REGARDING THE

ECONOMIC SITUATION IN ITALY: THE GOI WOULD CONTINUE TO GIVE THE HIGHEST PRIORITY TO LIMITING BUDGETARY SPENDING WHICH SHOULD AND COULD BE REDUCED FURTHER. THE CASH BUDGET SITUATION WOULD CONTINUE TO IMPROVE, IN PART BECAUSE OF BETTER ENFORCEMENT AND TAX COLLECTION PROCEDURES. FINANCE MINISTER VISENTINI, WITH HIS EXPERIENCE IN THE FINANCIAL FIELD, WOULD DO MUCH TO TIGHTEN UP TAX COLLECTIONS BY THE FINANCE MINISTRY. ANDREOTTI BELIEVED THAT CREDIT CONDITIONS WOULD BE LOOSENERED SELECTIVELY IN THE NEAR FUTURE IN ORDER TO EASE THE CREDIT SQUEEZE ON SMALL- AND MEDIUM-SIZED FIRMS OPERATING IN THE MEZZOGIORNO AND IN ORDER TO ASSIST FIRMS IN THE EXPORT SECTOR, WHICH ARE IMPORTANT TO ITALY'S BALANCE OF PAYMENTS.

3. ANDREOTTI NOTED THAT THE RECENT APPROVAL BY THE EC OF A REGIONAL DEVELOPMENT FUND WOULD BE EXTREMELY BENEFICIAL TO ITALY'S MEZZOGIORNO. THE GOI IS NOW WORKING ON THE WAYS AND MEANS BY WHICH THE FUNDS CAN BE INTEGRATED INTO EXISTING INVESTMENT PROJECTS FINANCED BY THE CASSA PER IL MEZZOGIORNO. THE GOI HOPES TO GET NEW INVESTMENT PROJECTS IN THE MEZZOGIORNO UNDER WAY AS QUICKLY AS POSSIBLE SINCE THE EXTENT OF EC FINANCING WILL DEPEND UPON HOW SUCH FUNDS WILL BE PUT TO USE, AND HOW QUICKLY.

4. ANDREOTTI REFERRED TO THE PROPOSED NEW STEEL MILL AT GIOIA TAURO IN CALABRIA, NOTING THAT THE PROJECT IS NOT OF THE LABOR-INTENSIVE VARIETY WHICH HE PREFERRED. THE PROJECT WILL BE ENORMOUSLY EXPENSIVE AND WORK HAS ALREADY BEGUN ON THE NEW PORT FACILITY AT GIOIA TAURO.

5. THE AMBASSADOR REFERRED TO THE ANTI-POLLUTION PROJECT PROPOSED FOR THE BAY OF NAPLES AND THE SIX WATER PURIFICATION PLANTS PLANNED FOR THE AREA. THE CASSA IS STUDYING BID SUBMISSIONS FOR THE CONSTRUCTION OF THESE PLANTS AND THE ITALIAN BIDDER, "COSTRUZIONI UMBERTO GIROLA," USES ANTI-POLLUTION TECHNOLOGY PROVIDED BY THE U.S. ENGINEERING FIRM POLYTECNA HARRIS. THE AMBASSADOR HOPED THAT THIS ITALIAN BIDDER AND U.S. SUPPLIER WOULD BE GIVEN FAIR CONSIDERATION BY THE CASSA IN ITS CONSIDERATION OF BID SUBMISSIONS.

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PAGE 03 ROME 17619 201809Z

6. IN DISCUSSING POLITICS, ANDREOTTI STATED THAT THE POST-PONEMENT NEXT OCTOBER OF THE SOCIALIST PARTY CONGRESS INDICATED THAT THE SOCIALISTS PROBABLY WOULD NOT TRY TO BRING DOWN THE MORO GOVERNMENT FOR THE TIME BEING. IF THE PRESENT GOVERNMENT ACHIEVED SOME REAL SUCCESSES, PARTICULARLY IN THE ECONOMIC FIELD, THE SOCIALISTS MIGHT BE MORE INCLINED TO JOIN THE GOVERNMENT COALITION RATHER THAN TO PROVIDE OUTSIDE

SUPPORT. HOWEVER, GIVEN THE DIFFICULT ECONOMIC SITUATION IN ITALY, CHANCES DID NOT SEEM GOOD FOR ANY SUCH SUCCESS. THE MAIN ISSUES WHICH CONTINUE TO FACE THE GOI WILL BE THE NEED TO LIMIT BUDGETARY SPENDING AND TO ACHIEVE NON-OIL BALANCE OF PAYMENTS EQUILIBRIUM, WHILE AT THE SAME TIME AVOIDING EXCESSIVE UNEMPLOYMENT.

7. ANDREOTTI STATED THAT THE PRESENT TWO-PARTY COALITION GOVERNMENT ENJOYED A SUFFICIENT MARGIN IN PARLIAMENT TO BE ABLE TO PASS NECESSARY LEGISLATION. HOWEVER, PARTY DISCIPLINE WOULD HAVE TO BE TIGHTENED TO ASSURE THAT ABSENTEEISM IN PARLIAMENT IS KEPT TO A MINIMUM ON VOTING AS REGARDS IMPORTANT LEGISLATION. THE DC NATIONAL COUNCIL MEETING SCHEDULED FOR DECEMBER 20 WOULD NOT AMOUNT TO VERY MUCH AND WOULD PROBABLY CONSIST OF LITTLE MORE THAN A STOCK-TAKING SESSION OF THE GOVERNMENT'S PERFORMANCE DURING ITS FIRST FEW WEEKS IN OFFICE. CHANCES ARE GOOD THAT REGIONAL ELECTIONS WILL BE HELD ON SCHEDULE. ANDREOTTI SAID THE DC HAD A TREMENDOUS AMOUNT OF ORGANIZATIONAL WORK TO DO TO PREPARE FOR THE ELECTIONS, AND FELT THAT "PLAIN TALK" TO THE ELECTORATE IS ESSENTIAL BUT THAT THIS IS NOT BEING ACCOMPLISHED IN ALL CASES.

8. THE AMBASSADOR INDICTED THAT WASHINGTON HAD BEEN NOTIFIED OF THE PROPOSED VISIT TO WASHINGTON, ON FEBRUARY 16-22, OF THE ITALIAN PARLIAMENTARY DELEGATION, NOTING THAT FEBRUARY 17 WAS A U.S. NATIONAL HOLIDAY. ANDREOTTI TOOK NOTE OF THIS AND SAID THAT THIS POSED NO PROBLEM. VOLPE

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